

Message Text

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AID-05 EB-08 OMB-01 COME-00 TRSE-00 /071 W
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P R 141900Z FEB 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC PRIORITY 0080
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 1 OF 3 BRASILIA 1203

C O R R E C T E D C O P Y (TEXT)

E.O. 11652: GDS
TAGS: PGOV, PINT, BR, EIND
SUBJECT: RESIGNATION OF INDUSTRY AND COMMERCE MINISTER
SEVERO GOMES

1. SUMMARY: MINISTER OF INDUSTRY AND COMMERCE SEVERO GOMES
RESIGNED FEBRUARY 8, ALMOST CERTAINLY AT REQUEST OF PRESIDENT
GEISEL, WHO IMMEDIATELY NAMED ANGELO CALMON DE SA, PRESIDENT
OF THE BANCO DO BRASIL, TO REPLACE HIM. THE RESIGNATION
MARKED THE END OF GOMES' ROLE AS THE GOVERNMENT'S CHIEF
PUBLIC DISSENTER ON ECONOMIC POLICY. THAT ROLE, PREVIOUSLY
TOLERATED OR EVEN ENCOURAGED BY THE PRESIDENT, IN RECENT
WEEKS HAD SPILLED OVER INTO POLITICAL MATTERS, AS GOMES
CALLED FOR A WIDENING OF PUBLIC POLICY DEBATE, AND APPARENTLY
THEREBY STIMULATED DIRECTLY OR INDIRECTLY MORE EXPLICIT CALLS
FOR POLITICAL LIBERALIZATION BY SOME SEGMENTS OF THE
ENTREPRENEURIAL CLASS. AN IMMEDIATE FACTOR IN TRIGG-
ERING THE PRESIDENT'S ACTION WERE COMMENTS PROFFERED BY
GOMES IN A MEETING WITH SAO PAULO BUSINESSMEN, WHERE HE
REFERRED TO AN IMPORTANT ASSOCIATE OF EX-PRESIDENT MEDICI AS
A "FASCIST ENTREPRENEUR."

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2. ARENA POLITICIANS GENERALLY DISMISSED THE RESIGNATION
AS "ROUTINE" OR A NATURAL OUTCOME OF ECONOMIC POLICY
DIFFERENCES. SOME MDB LEADERS SAW THE REMOVAL AS HERALDING
A HARDENING OF GOVERNMENT POLICY AND THE END OF PROSPECTS FOR
A RESUMPTION OF DISTENSAO. FINANCE MINISTER SIMONSEN AND HIS
POLICIES WERE COMMONLY SEEN AS THE MAJOR WINNERS IN THE

AFFAIR, THOUGH THE RESHUFFLE IS NOT EXPECTED TO CHANGE THE SUBSTANCE OF OVERALL ECONOMIC POLICY. END SUMMARY.

3. THE FOLLOWING REPORT INCLUDES INFORMATION PROVIDED BY CONGEN SAO PAULO.) DECLARING IT "THE BEST WAY OF SERVING YOUR GOVERNMENT," SEVERO GOMES, MINISTER OF INDUSTRY AND COMMERCE SINCE THE INCEPTION OF THE GEISEL REGIME, PRESENTED HIS RESIGNATION TO THE PRESIDENT ON THE MORNING OF FEB. 8. IN REPLY, GEISEL THANKED GOMES FOR THE PUBLIC SPIRIT REFLECTED BY THE LATTER'S DECISION TO DEPART, "IN VIEW OF RECENT OCCURRENCES, OF ANOTHER TYPE, WHICH MADE THIS COURSE ADVISABLE FOR YOU." THE SAME DAY, IT WAS ANNOUNCED THAT ANGELO CALMON DE SA, PRESIDENT OF THE BANCO DO BRASIL, WOULD BE GOMES' SUCCESSOR, AND IN TURN WOULD BE REPLACED AS BANK PRESIDENT BY KARLOS RISCHBIETER, (THE FEDERAL SAVINGS BANK). LATER THE PRESS REPORTED THAT GOMES' NUMBER TWO MAN IN THE MINISTRY, PAULO BELOTTI, WOULD RESIGN IN SOLIDARITY WITH GOMES. A NUMBER OF SECOND ECHELON OFFICIALS, INCLUDING THE HEAD OF THE POWERFUL COUNCIL FOR INDUSTRIAL DEVELOPMENT (CDI), ARE EXPECTED TO BE REPLACED.

4. NEITHER THE GOVERNMENT NOR GOMES HIMSELF OFFERED ANY EXPLANATION FOR HIS DEPARTURE, THOUGH IT IS WIDELY ASSUMED IN PRESS AND CONFIRMED BY AT LEAST ONE EMBASSY SOURCE THAT RESIGNATION WAS DEMANDED BY GEISEL. ACCORDING TO EMBASSY SOURCE GEISEL ASKED FOR GOMES' RESIGNATION ON FEB. 7 WITH THREAT OF CASSATION IF HE DID NOT COMPLY.

5. THE RESIGNATION CLIMAXED GOMES' RECORD OF OPEN DISSENT
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FROM OFFICIAL POLICY--A DISCORDANT NOTE WHICH, ALTHOUGH CERTAINLY TOLERATED IF NOT ENCOURAGED BY GEISEL, HAD CONTRIBUTED TO AN AT TIMES EMBARRASSING IMAGE OF INDISCIPLINE OR INDECISION WITHIN GOVERNMENT COUNCILS. AT THE SAME TIME IT HAD MADE GOMES AN INCREASINGLY POPULAR AND INFLUENTIAL FIGURE AMONG INTELLECTUALS, THE MEDIA, AND THE OPPOSITION MDB. GOMES HAD PREVIOUSLY LIMITED THE SCOPE OF HIS CRITIQUE TO ADVOCACY OF DOMESTIC, PRIVATE AND STATE ENTERPRISES, GREATER IMPORT SUBSTITUTION, BETTER INCOME DISTRIBUTION, GREATER EMPHASIS ON THE DOMESTIC MARKET, AND RESTRAINTS ON FOREIGN INVESTMENT, AS AGAINST THE MORE INTERNATIONALIST, EXPORT-ORIENTED ECONOMIC MODEL THE REVOLUTION HAS FOLLOWED SINCE ITS INCEPTION, INCLUDING IN THE GEISEL REGIME. BUT IN RECENT WEEKS THE DISSENT HAD TAKEN ON MORE POLITICAL OVERTONES, AS THE MINISTER IN SEVERAL SPEECHES BEFORE BUSINESS GROUPS BEGAN TO ADVOCATE A POLITICAL OPENING AND WIDENED DEBATE WITH LABOR AND BUSINESS PARTICIPATION, AS A MEANS OF REACHING CONSENSUAL (AS AGAINST IMPOSED) SOLUTIONS TO ECONOMIC PROBLEMS, OF CONTROLLING STATE AND FOREIGN ENTERPRISE AND OF CORRECTING "DISTORTIONS."

6. BESIDES DRAWING PRAISE AND RAISING HOPES WITHIN THE MDB, THESE REMARKS BOTH ECHOED AND STIMULATED MORE EXPLICIT CALLS FOR POLITICAL LIBERALIZATION BY SOME ELEMENTS OF THE ENTREPRENEURIAL CLASS, APPARENTLY ALARMING THE GOVERNMENT. A KEY EVENT IN THIS PROCESS WAS ON FEB. 1 WHEN GOMES WAS WIDELY QUOTED AT A BUSINESS RECEPTION IN SAO PAULO AS IN FAVOR OF THE "OPENING OF POLITICAL DEBATES SO THAT CONFLICTING INTERESTS CAN BE REVEALED AND SO THAT THERE CAN BE A PACT OF ACCEPTANCE AND NOT OF SUBMISSION." WITHIN HOURS AFTER THE GOMES STATEMENT, JOSE PAPA JR., PRESIDENT OF THE SAO PAULO COMMERCIAL FEDERATION (FCCSP), ISSUED A STATEMENT THAT "... THE COUNTRY OUGHT TO BEGIN A RETURN TO A FULL STATE OF LAW. WE WANTED A DEMOCRATIC REGIME NOT A SPURIOUS ONE WHEN WE PREPARED A MARCH 31 (REVOLUTIONARY MOVEMENT)." PAPA WENT ON TO
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SAY THAT BUSINESSMEN WERE IN FAVOR OF LIBERTY, DEMOCRACY AND DIRECT ELECTIONS AND THAT A NEW PHASE WAS BEGINNING IN BRAZIL, THE CONSOLIDATION OF DEMOCRATIC RIGHTS. ASKED FOUR DAYS LATER TO COMMENT ON THE PAPA STATEMENT, SEVERO GOMES WAS QUOTED AS SAYING "WE OUGHT TO WISH THAT ALL GROUPS OF SOCIETY BECOME AWARE OF THEIR CITIZENSHIP." INDICATIONS ARE THAT CONSERVATIVE ELEMENTS WITHIN THE GOVERNMENT

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REGARDED THE STATEMENTS BY SEVERO GOMES ON DEMOCRACY AND LIBERTY AS, IF NOT A DIRECT INSTIGATION, AT LEAST AN ENCOURAGEMENT OF THE PAPA STATEMENT, WHICH WAS BADLY RECEIVED IN BRASILIA. PAPA'S CHARACTERIZATION OF THE REVOLUTIONARY REGIME AS "SPURIOUS" WAS CONSIDERED PARTICULARLY OFFENSIVE, AND REPORTEDLY PAPA WAS SUBSEQUENTLY CALLED TO BRASILIA FOR DISCUSSIONS WITH SNI CHIEF GENERAL JOAO BATISTA GIFUEIREDO. WHILE PAPA HAS NOT ACTUALLY WITHDRAWN HIS REMARKS, IN SUBSEQUENT STATEMENTS HE HAS ATTEMPTED TO EXPLAIN AWAY THE USE OF THE TERM "SPURIOUS," CALLED THE REGIME "WONDERFUL," AND HAS SINCE KEPT QUIET. IN WHAT APPEARS TO BE A CONSIDERED GOVERNMENT RESPONSE ON TH PAPA STATEMENT, SIMONSEN, ECHOED SEVERAL DAYS LATER BY NEWLY APPOINTED MINISTER CALMON DE SA, STATED THAT "BUSINESSMEN WHO HAVE POLITICAL ASPIRATIONS SHOULD MAKE USE OF THE POLITICAL PARTIES." (MORE DETAILED ASSESSMENT OF ORIGIN AND EXTENT OF PRIVATE BUSINESS COMMUNITY'S DISAFFECTION IS PROVIDED IN SEPTEL.)

7. UNNAMED OFFICIAL SOURCES WIDELY QUOTED IN THE PRESS MAINTAINED THAT THE RESIGNATION HAD BEEN TRIGGERED BY REACTION IN MILITARY CIRCLES AND AMONG FIGURES ASSOCIATED
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WITH FORMER PRESIDENT MEDICI TO REMARKS ATTRIBUTED TO GOMES AT A FEBRUARY 1 GATHERING OF PAULISTA BUSINESSMEN. GOMES IS SUPPOSED TO HAVE REFERRED TO THE MEDICI REGIME AS "FASCIST." ACCORDING TO REPORTERS PRESENT AT THE OCCASION, GOMES IN FACT APPLIED THE EPITHET NOT TO THE MEDICI REGIME ITSELF, BUT TO CARLOS LOUZADA, AN ENTREPRENEUR AND FORMER AIDE TO PRESIDENTS MEDICI AND COSTA E SILVA, WHO INTRODUCED HIMSELF TO GOMES AS "A MAN OF THE MEDICI GROUP" AND BEGAN TO CRITICIZE THE GEISEL REGIME FOR ITS PREOCCUPATION WITH BUSINESSMEN, RATHER THAN COMMUNISTS. WHEN LOUZADA CHARGED THAT THERE WERE EVEN COMMUNISTS DIRECTING STATE SECRETARIATS, REFERRING SPECIFICALLY TO SAO PAULO STATE PLANNING SECRETARY JORGE WILHELM AS A FORMER TREASURER OF THE COMMUNIST PARTY, SEVERO REPORTEDLY REPLIED, "HE WAS A COMMUNIST, YOU WERE AN ALTAR BOY. SO WHAT?"-- ADDING "YOU ARE A FASCIST BUSINESSMAN." (AT THE SAME GATHERING, REFERRING TO INSTITUTIONAL ACT NO. 5, GOMES WAS QUOTED AS STATING, "THE MILITARY ESTABLISHMENT OPTS FOR ABSOLUTE SECURITY WHICH GENERATES INSECURITY IN CIVIL SOCIETY. EXCESSIVE SECURITY ALWAYS BRINGS. AS FACTORS, THE UNCERTAINTY AND INSECURITY OF ALL CLASSES.") AN ENRAGED LOUZADA REPORTEDLY TELEPHONED ROBERTO MEDICI,

SON OF THE EX-PRESIDENT, WHO ALLEGEDLY IN TURN CONTACTED GENERAL POTIGUARA, ARMED FORCES CHIEF OF STAFF (MEDICI DENIED THIS). WHEN POTIGUARA RELAYED ROBERTO'S MESSAGE TO GEISEL, THE LATTER IS SAID TO HAVE REQUESTED A REPORT FROM SNI ON GOMES' TIES WITH ENTREPRENEURIAL CRITICS AND TO HAVE CALLED GOMES, WHO CONFIRMED HIS REMARKS.

8. EXECUTIVE BRANCH OFFICIALS AND GOVERNORS GENERALLY REFRAINED FROM COMMENT ON THE RESIGNATION. ARENA POLITICIANS TENDED EITHER TO DISMISS THE MATTER AS MERELY "ROUTINE" OR TO VIEW IT AS THE NATURAL CONSEQUENCE OF KNOWN DIVERGENCES BETWEEN GOMES AND THE GOVERNMENT ON ECONOMIC POLICY. ARENA SENATE LEADER
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PETRONIO PORTELLA, FOR EXAMPLE, ANALYZED IT AS THE "RESULT OF THE EMPHATIC AND CONTINUED DECLARATIONS WHICH CONTRADICTED IN BASIC POINTS THE ECONOMIC AND FINANCIAL POLICY OF THE GOVERNMENT." AMONG SOME, THE LATTER THEME BLENDED INTO RESTRAINED CRITICISM OF GOMES' OUTSPOKENNESS.

9. MDB OFFICIALS, WHO IN PAST MONTHS HAD OFTEN PRAISED AND HIGHLIGHTED GOMES' DECLARATIONS AS CONFIRMING THEIR OWN ECONOMIC AND POLITICAL PRESCRIPTION, UNIFORMLY LAMENTED THE DEPARTURE OF A DEFENDED OF NATIONAL ENTERPRISE AND OF A POLITICAL OPENING. SEVERAL WONDERED WHETHER THE STEP HERALDED A GENERAL "HARDENING" ON THE PART OF THE GOVERNMENT, AND THE END OF PROSPECTS FOR A RESUMPTION OF DISTENSAO. SIMILAR CONCERN WAS REPORTED WIDESPREAD AMONG BUSINESS CIRCLES IN SAO PAULO, ALONG WITH THE FEELING THAT GOMES HAD BEEN OUSTED AND REPLACED WITHOUT CONSULTATION BY A NON-PAULISTA, IN PARTIAL REPRISAL FOR THE FLURRY OF POLITICAL STATEMENTS BY BUSINESSMEN.

10. PUBLIC REACTION BY BUSINESSMEN WAS MIXED, REFLECTING THE EQUIVOCAL NATURE OF GOMES' STANDING WITH THE ENTREPRENEURIAL CLASS AS WELL AS THE TENDENCY AMONG BUSINESSMEN TO RETREAT TO SAFER POSITIONS ONCE THE GOVERNMENT'S IRRITATION OVER PAPA'S DEMANDS BECAME APPARENT. COMMENTS RANGED FROM STRONG STATEMENTS OF SUPPORT FOR THE GEISEL GOVERNMENT AND NATIONAL UNITY, AND AFFIRMATIONS OF CONFIDENCE IN CONTINUITY OF POLICY, TO RESTRAINED EXPRESSION OF PRAISE FOR THE MINISTER AND REGRET AT HIS RESIGNATION, TO NON-COMMITTAL STATEMENTS.

11. FINANCE MINISTER SIMONSEN WAS VIEWED IN ALL QUARTERS AS THE BIG WINNER IN THE SHUFFLE, AN IMPRESSION FORTIFIED BY SIMONSEN'S KEY ROLE IN THE SELECTION OF A SUCCESSOR. SIMONSEN INDICATED HE WAS

CONSULTED BY THE PRESIDENT AND ENDORSED THE SELECTION
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OF CALMON DE SAO AND RECOMMENDED KARLOS REISHBIETER FOR
CALMON'S JOB AS PRESIDENT OF THE BANCO DO BRASIL. CALMON
DE SA IN EARLY REMARKS TO REPORTERS STRESSED HIS
INTENTION TO WORK "HAND IN HAND" WITH OTHER MINISTERS,
PRINCIPALLY SIMONSEN, IN PURSUING GOVERNMENT POLICIES.

12. COMMENT: WE BELIEVE THAT GOMES' DISMISSAL WAS MOTIVATED
BY AN ACCUMULATION OF INTERACTING FACTORS RATHER THAN BY
ANY SINGLE EVENT OR COURSE OF ACTION. AS WE SEE IT THERE
WERE THREE PRINCIPAL STRANDS MAKING UP THE SITUATION THAT CAUSED
HIS DISMISSAL.

(A) GOMES' BEHAVIOR AS AN OUTSPOKEN, IF NOT ALWAYS COHERENT,
CRITIC ON ECONOMIC POLICIES BY ITSELF DID NOT BRING
ABOUT HIS DOWNFALL. HIS OPPOSITION TO THE PREVAILING
ECONOMIC MODEL AND HIS GENERAL STANCE OF
ECONOMIC NATIONALISM WERE TOLERATED IF NOT AUTHORIZED
BY THE PRESIDENT AND TO SOME EXTENT USEFUL TO HIM.

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WHEN GOMES, HOWEVER, CARRIED OVER HIS DISSENT ON ECONOMIC
POLICIES INTO THE POLITICAL FIELD--BY PUBLIC
APPEALS FOR GREATER PARTICIPATION AND BY APPEARING

TO GIVE AID AND COMFORT TO DISSIDENT BUSINESSMEN--HE BECAME CONSIDERABLY MORE MENACING AND UNMANAGEABLE FOR THE GEISEL GOVERNMENT. AS ECONOMIC POLICIES BECAME THE SUBJECT OF INCREASINGLY INTENSE PUBLIC DEBATE, WEAKENING THE PRESTIGE OF THE GEISEL ADMINISTRATION, EVEN GOMES' DISSENT ON ECONOMIC POLICIES BECAME LESS TOLERABLE AND MORE IRRITATING. IN THAT ENVIRONMENT GOMES' DISSENT WAS INCREASINGLY SEEN AS UNCONSTRUCTIVE OR PAROCHIAL.

(B) GOMES' USE OF THE TERM FASCIST IN CONNECTION WITH THE MEDICI GOVERNMENT AND HIS CANDID REFERENCES TO THE MILITARY'S EXCESSIVE CONCERN FOR SECURITY PROBABLY PUSHED HIS UNEASY RELATIONSHIP WITH THE MILITARY BEYOND THE CRITICAL POINT, FURTHER INCREASING HIS LIABILITY TO THE GEISEL GOVERNMENT. BECAUSE OF HIS INCREASING PUBLIC IDENTIFICATION WITH POSITIONS OF THE OPPOSITION, HE WAS ALREADY SUSPECT IN THE MILITARY'S EYES.

(C) GOMES' SCARCELY CONCEALED POLITICAL AMBITIONS, FOR THE SAO PAULO STATE GOVERNORSHIP), DISPLAYED IN HIS USE OF THE MINISTRY
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AS A SOUNDING BOARD IN AN ATTEMPT TO DEVELOP A BROAD FOLLOWING AMONG INTELLECTUALS, THE YOUTH, MEDIA, THE OPPOSITION AND DISAFFECTED BUSINESSMEN, BECAME BOTH AN EMBARRASSMENT TO THE GEISEL ADMINISTRATION AS WELL AS A BAD EXAMPLE FOR OTHER SENIOR OFFICIALS.

13. WHILE GOMES' DISMISSAL IS A CLEAR WARNING SIGNAL TO EMPLOYER GROUPS AGAINST ORGANIZED OPPOSITION--AND HAS ALREADY HAD CONSIDERABLE INTIMIDATING EFFECT ON THEM--IT SHOULD BE NOTED THAT GOMES HIMSELF AND THE POLICIES HE ESPOUSED WERE VERY UNPOPULAR WITH MANY PRIVATE ENTREPRENEURS. BUT DESPITE THE SIGNIFICANT IDEOLOGICAL DIFFERENCES, AT LEAST SOME TEMPORARY COINCIDENCE HAD DEVELOPED BETWEEN A NUMBER OF GOMES' POSITIONS AND THE INTERESTS AND GRIEVANCES OF SOME PRIVATE ENTREPRENEURS (E.G., THE POLITICALLY-POWERFUL CAPITAL GOODS INDUSTRY). AMONG THE MORE FREQUENT COMPLAINTS DURING THE PAST TWO YEARS AMONG BUSINESSMEN HAVE BEEN PRESIDENT GEISEL'S CENTRALIZED AND NON-PARTICIPATORY STYLE OF DECISION-MAKING ON ECONOMIC ISSUES, THE INSENSITIVITY AND IMPENETRABILITY OF THE BUREAUCRACY IN CARRYING OUT ECONOMIC POLICY, AND THE INADEQUATE FLOW OF INFORMATION TO BUSINESSMEN ABOUT UPCOMING ISSUES WHICH CONCERN THEM. WHILE RETAINING HIS PUBLIC IMAGE AS A PROPONENT OF A MAJOR STATE ROLE IN THE ECONOMY, GOMES WAS BEGINNING TO APPEAR MORE SYMPATHETIC TO PRIVATE BUSINESS ON THE OTHER ISSUES BY ESPOUSING MORE DEBATE ON ECONOMIC ISSUES, A MORE OPEN SYSTEM, AND A MORE POLITICAL AND LESS TECHNOCRATIC APPROACH TO NATIONAL ECONOMIC

PROBLEMS.

14. IN TERMS OF THE STRUCTURE OF ECONOMIC POLICYMAKING, THE CHANGE IS A VICTORY FOR SIMONSEN SINCE IT REMOVES A TROUBLE-SOME GADFLY FROM THE CABINET AND THE ECONOMIC DEVELOPMENT COUNCIL, REPLACING HIM WITH CALMON DE SA WHO IS COMPATIBLE WITH SIMONSEN. WHILE GOMES' DEPARTURE WILL PROBABLY MEAN NO SIGNIFICANT CHANGE IN OVERALL ECONOMIC POLICY, THE
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REPLACEMENT OF KEY MEMBERS OF THE SECOND ECHELON IN THE MINISTRY OF INDUSTRY AND COMMERCE, SUCH AS CDI, IS LIKELY TO HAVE AN IMPACT ON THE IMPLEMENTATION OF POLICY. MANY OF THESE OFFICIALS, WHO SHARED GOMES' NATIONALISTIC VIEWS TOWARD FOREIGN INVESTMENT, WILL PROBABLY BE REPLACED BY INDIVIDUALS WHOSE APPROACH TO FOREIGN INVESTMENT WILL BE MORE IN LINE WITH SIMONSEN'S PHILOSOPHY. STYLISTICALLY, THE GREATER UNIFORMITY AND COHESION THAT THE CHANGE BRINGS TO THE CABINET MAY PRESENT BETTER PUBLIC IMPRESSION OF SMOOTHNESS AND CONTROL IN GOVERNMENT'S DECISION-MAKING. AT SAME TIME, HOWEVER, IT MAY INCREASE THE ISOLATION OF THE PRESIDENT AND HIS TOP ADVISERS FROM EXTERNAL POLITICAL INPUTS. IN PURELY POLITICAL TERMS, BY LOSING GOMES, GEISEL HAS LOST A CHANNEL TO BRAZIL'S INCREASINGLY RESTIVE NATIONALIST LEFT COMPRISING INTELLECTUALS, THE MEDIA, SECTORS OF THE CHURCH, THE OPPOSITION AND TRADE UNIONS.

15. CONGEN SAO PUELO REPORTS THAT THERE IS MUFFLED CRITICISM OF THE CABINET CHANGES IN SAO PAULO BECAUSE REPLACEMENT OF GOMES BY CALMON DE SA LEAVES SAO PAULO STATE WITHOUT A REPRESENTATIVE IN A KEY MINISTRY-- A VIOLATION OF AN UNWRITTEN RULE OF BRAZILIAN POLITICS. WHILE THERE IS LITTLE NOSTALGIA IN SAO PAULO FOR POLICY OF SEVERO GOMES, THEY ARE CONCERNED THAT THEIR VIEWS WILL GET EVEN LESS ATTENTION NOW FROM THE GOVERNMENT. BOTH SA AND SIMONSEN HAVE PROMISED THE PAULISTAS THAT THEY WILL BE CONSULTED ON ECONOMIC POLICY.

16. IN TERMS OF THE PROSPECTS FOR LIBERALIZING POLITICAL REFORMS OR FURTHER OPENING OF THE SYSTEM, THE REMOVAL OF GOMES IS NOT A GOOD AUGURY. BY THIS ACTION GOVERNMENT HAS DEMONSTRATED THAT IT HAS NOT SIGNIFICANTLY INCREASED ITS WILLINGNESS TO TAKE RISKS AND THAT ITS TOLERANCE FOR EVEN MILD, INTERNAL DISSENT IS, IF ANYTHING, DECLINING. DISMISSAL OF GOMES, DESPITE, ITS APPARENT BLUNT VIGOR, SEEMS TO US TO BE BASICALLY DEFENSIVE, CONFIRMING GROWING IMPRESSION THAT GOVERNMENT, BESET BY ECONOMIC
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DIFFICULTIES AND GROWING CLAMOR FOR A LOOSENING UP,
IS LESS CONFIDENT AND READY TO LASH OUT.

17. THIS IS FIRST CABINET CHANGE IN THE THREE YEARS OF THE
GEISEL GOVERNMENT, POINTING UP THE IMPORTANCE GEISEL
IS REPORTED TO PLACE ON CABINET STABILITY AND RECIPROCAL
LOYALTY WITH TOP ADVISERS. GEISEL HAS BEEN UNDER
INCREASING PRESSURE FOR SOME TIME FROM BUSINESS COMMUNITY,
SOME OF MILITARY, AND MAJOR NEWSPAPERS TO MAKE OTHER
CABINET CHANGES, PARTICULARLY IN THE ECONOMIC AREA.
THE REMOVAL OF GOMES ELIMINATES
THE PSYCHOLOGICAL BARRIER CONSTITUTED BY THE
PRESIDENT'S UNMARRED RECORD OF CABINET STABILITY.
FURTHER CABINET CHANGES NOW BECOME AT LEAST MORE
ACCEPTABLE AS OPTIONS. END COMMENT.
CRIMMINS

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